

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

June 21, 2005

IN RE:

**PETITION OF COMPUTER NETWORK
TECHNOLOGY CORPORATION, CONDOR
ACQUISITION, INC. AND MCDATA CORPORATION
FOR APPROVAL OF TRANSFER OF CONTROL**

**DOCKET NO.
05-00043**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Pat Miller, Director Deborah Taylor Tate and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on April 4, 2005 for consideration of the *Joint Petition* filed jointly by Computer Network Technology Corporation ("CNT"), Condor Acquisition, Inc. ("Condor") and McDATA Corporation ("McDATA") (collectively the "Parties"). The Parties sought TRA approval for a transfer of authority to provide telecommunications services.

Background

By an Order dated June 10, 2004 in TRA Docket No. 03-00612, CNT received its Certificate of Public Convenience and Necessity ("CCN") to provide local exchange and interexchange telecommunications service in Tennessee. McDATA is a publicly traded company and currently is not authorized to provide telecommunications services in Tennessee. Condor is a wholly-owned subsidiary of McDATA established to effect the merger of CNT.

The Joint Petition

In the *Joint Petition*, which was filed with the TRA on January 27, 2005, CNT, Condor and McDATA jointly requested approval for a transfer of authority transaction. Condor will merge with and into CNT after which Condor will cease to exist, and CNT will be the surviving corporation. Outstanding shares of CNT will be converted into rights to receive McDATA stock plus cash such that current McDATA and CNT stockholders will own approximately 76% and 24% of McDATA respectively. CNT will then become a wholly-owned subsidiary of McDATA.

According to the *Joint Petition*, this transaction will be virtually transparent to CNT customers in terms of the services they receive. CNT will continue to provide services to its customers under its same name and will retain the assets used to provide such services. The Parties maintain that CNT customers will continue to receive their existing services at the same rates, terms and conditions.

The Parties state the proposed transfer will serve the public interest by facilitating competition in Tennessee by improving the operational position of both CNT and McDATA. In addition, the transfer will reinforce the status of CNT as a viable competitor and will minimize the disruption of service for CNT customers.

Statutory and Regulatory Framework

The Parties submitted their *Joint Petition* pursuant to Tenn. Code Ann. § 65-4-112 (2004). Tenn. Code Ann. § 65-4-112(a) (2004) governs TRA approval of mergers or consolidations between two or more public utilities holding CCNs in the State of Tennessee. It provides as follows:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights, and franchises of any other such public utility of like character shall be valid until approved by the authority, even though power to take

such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

The provision is not applicable here. The transfer of control of CNT to McDATA does not involve the lease, merger, or consolidation of property, rights, or franchises between two Tennessee public utilities.

Instead, the transfer at issue in this docket is governed by Tenn. Code Ann. § 65-4-113 (2004). Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

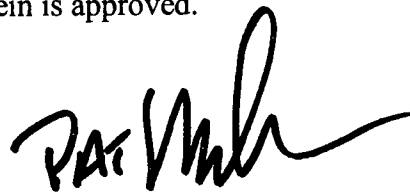
April 4, 2005 Authority Conference

At the April 4, 2005 Authority Conference, the Directors noted the applicability of Tenn. Code Ann. § 65-4-113 (2004) and voted unanimously to approve the *Joint Petition* pursuant to a finding of compliance with the requirements of Tenn. Code Ann. § 65-4-113 (2004).

IT IS THEREFORE ORDERED THAT:

1. The *Joint Petition of* Computer Network Technology Corporation, Condor Acquisition, Inc. and McDATA Corporation is approved.
2. The proposed transfer of authority of Computer Network Technology Corporation

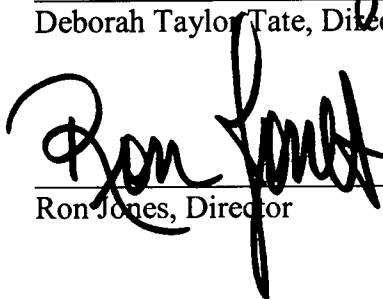
as described in the *Joint Petition* and discussed herein is approved.

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Pat Miller, Chairman

A handwritten signature in black ink, appearing to read "Deborah Taylor Tate", written over a horizontal line.

Deborah Taylor Tate, Director

A handwritten signature in black ink, appearing to read "Ron Jones", written over a horizontal line.

Ron Jones, Director